

INFORMATION PAPER

SUBJECT: The Career Status Bonus (CSB/REDUX)

1. PURPOSE: To inform soldiers of their options, look at some basic outcomes for specific assumptions, and highlight important considerations.

2. BOTTOM LINE: Members who entered the service after July 31, 1986, will be given a choice of retirement plans at their 15th year service. There are two options, the pre-1986 retirement system (High-3 System) or the post 1986 retirement system (CSB/REDUX).

3. DISCUSSION:

a. Members who elect the CSB/REDUX at their 15th year receive a \$30,000 Career Status Bonus. Notification should be made at the member's 14 1/2 year of active duty or as soon as possible thereafter. Soldiers have 6 months in which to make an election from the date of notification. The member must agree to complete a 20-year active duty career with length-of-service retired pay under the 1986 Military Retirement Reform Act. Continuation beyond 20 years is possible, subject to service personnel management actions. However, the member's commitment with the CSB is only to the 20-year point. If a member does not complete the 20-year obligation, the member must repay a pro-rated share of the bonus.

b. The date that the service member entered the military service is the DIEMS (Date of Initial Entry to Military/Uniformed Service). The DIEMS determines which retirement system an individual is under. All services have reviewed their DIEMS records to ensure these dates are properly recorded in personnel records. However, because of the importance of this date, we suggest you take a personal interest in verifying that your service has correctly determined your DIEMS. Some individuals have unique circumstances that complicate determining their DIEMS. Some examples are:

- (1) Academy graduates who entered the Academy prior to, but graduated after, August 1986,
- (2) Officer and enlisted members who initially entered the military prior to August 1986,
- (3) ROTC graduates who began prior to August 1986,
- (4) Members who enlisted under the Delayed Entry Program (DEP).

c. Several factors combine determines each member's retirement amount and how it increases during retirement. High-3 applies to individuals who entered the service on or after September 8, 1980, but before August 1, 1986. It will also apply to individuals who entered on or after August 1, 1986, and who do not elect the CSB/REDUX at their 15th year. Each year of service, up to 30 years, is worth 2.5% toward the retirement multiplier. Therefore, 2.5% x 20 years = 50% and 2.5% x 30 years = 75%. The longer an individual stays on active duty, the higher the retirement pay, up to the maximum of 75%.

c. The CSB/REDUX option is a “package deal.” Even though it results in reduced retired pay, it may be preferable to the High-3 retirement because it includes a \$30,000 Career Status Bonus (CSB) at the 15th year of the active duty service. The CSB provides current cash for investing, major purchases, or setting up a business after retirement and the REDUX portion determines retirement income (the longer one’s career, the higher that income). The REDUX system has several features that are less well known than the reduced 20-year multiplier, which changed from 50% in High-3 to 40% under REDUX. It also has a catch-up increase at age 62 that brings the retired pay back to the same amount paid under the High-3 system.

d. Taxes on the CSB may vary significantly depending on your personal Federal Tax bracket, applicable State taxes, and opportunities to avoid tax. One tax possibility is that the entire bonus may be tax exempt for an enlisted member if the election is made effective while serving in a combat zone or Qualified Hazardous Duty Area (QHDA). This one time tax exclusion does not exempt from taxation any future earnings on this money even if you continue to serve in a combat zone or QHDA.

e. UNISERV is a Thrift Savings Plan for uniformed serviced personnel serving on active duty and members of the Ready Reserve or National Guard of the services in any status that allows them to shelter a portion of their basic pay as well as special or incentive pays (to include the CSB) from taxes. Members will have the opportunity to enroll in UNISERV between 9 Oct - 8 Dec 01. However, contributions from basic pay will not begin before the first week of Jan 02. Therefore, members with election due date between 1 Aug 01 and 1 Mar 02 may delay their elections until 1 Mar 02. Delaying the election carries with it no obligation to elect CSB/REDUX, join UNISERV or deposit any of the CSB into UNISERV if the CSB/REDUX is elected.

f. For more information contact the following web sites:

(1) Army Retirement Services:

[HTTP://WWW.ODCSPER.ARMY.MIL/RETIRE](http://WWW.ODCSPER.ARMY.MIL/RETIRE) (scroll to "csb/redux/diems")

(2) UNISERV:

[HTTP://WWW.TSP.GOV/UNISERV/INDEX.HTML](http://WWW.TSP.GOV/UNISERV/INDEX.HTML)

(3) DoD Military Pay:

[HTTP://PAY2000.DTIC.MIL](http://PAY2000.DTIC.MIL)

(4) AR-PERSCOM:

[HTTP://WWW.2XCITIZEN.USAR.ARMY.MIL](http://WWW.2XCITIZEN.USAR.ARMY.MIL)

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